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Classified By: Ambassador Olson, for reasons 1.4 b and d.

11. (C) Summary. On 19-20 May 2009, Treasury Under Secretary Stuart Levey explained to UAE officials that USG financial measures with respect to Iran will continue despite efforts to open dialogue with the Iranian regime. UAE officials in Abu Dhabi viewed the dialogue with suspicion and low expectations, while Dubai officials welcomed a reduction in tensions. All parties sought clarification on the role of financial measures during the dialogue process and explored the co-existence of the two tracks. U/S Levey met with UAE Central Bank Chairman Khalil al Foulathi and Governor Sultan bin Nasser al Suweidi, Minister of State for Financial Affairs Obaid al Tayer, Minister for Cabinet Affairs Mohammed al Gergawi, Minister of State Reem al Hashemi, Abu Dhabi Department of Finance Chairman Mohammed bin Khalifa bin Zayed al Nahyan, Dubai International Financial Centre Governor Dr. Omar bin Sulieyman, Abu Dhabi Commercial Bank Chairman Issa al Suweidi and CEO Ala'a Eraiqat, Dubai World Chairman Sultan bin Sulayem, Emirates NBD Chairman Ahmed al Tayer, and Mohammed bin Rashid Foundation for Humanitarian and Charitable Works Vice Chairman Ibrahim Bumelha. U/S Levey was accompanied by Ambassador Olson for all meetings except BuMelha's; CG Dubai Sutphin accompanied for all Dubai meetings.

12. (S/NF) U/S Levey expressed particular concern about Bank Melli and Bank Saderat, which continue to operate relatively freely in the UAE despite U.S., EU, UN and FATF measures to address the threat posed by the Iranian financial institutions. He pointed out that Dubai-based Emirates NBD appears to remain out-of-step with other major international financial institutions with respect to its sizeable Iranian exposure. He cautioned on the risks in doing business with Iran's shipping lines IRISL and highlighted the FATF's February 2009 call for countermeasures against Iran. End Summary.

U.s. Position on <> not clear

13. (S/NF) Finance Minister Obaid al Tayer confirmed that the UAE financial sector is responding to USG efforts to isolate Iran. He attributed the private sector moves to UAE's good relations with the U.S. and Treasury's successful efforts to draw attention to the issue and cause banks to react. Al Tayer confirmed that UNSCR compliance can be taken for granted in the UAE, but in order to make additional progress 'we need to keep talking to the business sector to increase awareness of the risk.' He noted a decline in exports from UAE to Iran beginning in 2008 and opined that Iran is attempting to reduce its reliance on the UAE. Dubai knows that business will suffer in the event that Iran falls under

heavy <>, and therefore Dubai businesses are planning and hedging.

¶4. (S/NF) Al Tayer said that most UAE banks have reduced or cut off all forms of business with Iran, and stressed the need to protect normal trade and avoid hurting the Iranian people, who are suffering. He cautioned that the UAE must manage its relationship with Iran 'without throwing bottles everyday.' He said the UAEG could increase pressure to a certain level, but then could not push as hard, adding 'it will happen naturally.' Al Tayer said that after pushing to 60%, 70%, 80%, it will be more difficult to push through to 81%, 82%, 83%, etc., making an argument for diminishing marginal policy returns. He half-joked that the UAE was reluctant to cut off all financial ties with Iran, as the UAEG enjoyed the Under Secretary's visits and wanted to make sure he came back.

¶5. (S/NF) Al Tayer pointed out that the U.S. position with respect to Iran is not always clear, especially now with the parallel track pursuing dialogue with the Iranian regime. He stated that while the USG policy on Syria <> was clear cut, President Obama's message on Iran was confusing as there has been no clear message from the President reaffirming the Iran <> policy. He said the UAE public believes that the USG is about to change relations with Iran, particularly after the Iranian New Year's address and the upcoming Cairo speech. Al Tayer asked about the Italian position on Iran amid indications that Italy may be changing its position and Europe is in general increasing business with Iran. He stressed the need for clear signals from the USG on Iran <> policy.

¶6. (S/NF) Ambassador stated that core USG policy objectives had not changed, namely to address Iran's nuclear program and attempts at regional hegemony. Ambassador confirmed that USG <> policy remains the same, despite efforts to open a dialogue with the regime. Al Tayer advised the USG to separate rhetoric from reality when dealing with Iran and offered that the regime is likely looking for a face-saving concession from the U.S. (COMMENT: Ambassador recommends an ALDAC cable with instructions to clarify USG position with respect to Iranian <> and efforts to pursue dialogue. End comment.)

¶7. (S/NF) In a separate meeting, DIFC Governor Dr. Omar sought guidance from U/S Levey on allowing additional Iranian banks to set up in the DIFC. With Iran pushed out of most other jurisdictions, its banks are increasingly focusing on the DIFC as an option to access the international financial system. Mr. Levey stated that the risks of dealing with Iranian banks persist so long as Iran pursues its nuclear program and regional hegemony in contravention of the will of international community. He warned that U.S. attempts at dialogue should not be viewed as window to relax financial measures against Iran.

Mohammed bin khalifa: no possible deal with iran  
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¶8. (S/NF) Abu Dhabi Finance chief Mohammed bin Khalifa al Nahyan assured that the UAE is pressuring Iran the best it can. He explained that 'you cannot trust or deal with Iran and the UAE knows this.' He continued, 'There is no solution with Iran. The Iranian people and Government will give you no solution.' Mohammed stated that there is no possibility of a deal with Iran. He commented that there is no clear leader in Iran, besides the Supreme Leader, and questioned with whom exactly the USG would pursue direct talks. Mohammed observed that short of the Supreme Leader, everyone is just a messenger, and cautioned against falling into a 'never ending circle of back-and-forth.' (NOTE: In addition to serving as the head of the Abu Dhabi Department of Finance, Mohammed bin Khalifa is a member of Abu Dhabi's Executive Council and the eldest son of Abu Dhabi Ruler and UAE President Khalifa bin Zayed al Nahyan. Mohammed is well placed in Abu Dhabi to reveal candid inside thinking on Iran, without delivering standard Abu Dhabi talking points. END NOTE.)

¶9. (S/NF) In response to questions judging the compatibility of <> and dialogue, U/S Levey explained that talks would hopefully begin after the June election in Iran, and if progress was not achieved, crippling <> would be pursued. In the interim, the U.S. would continue with current course of financial measures and urged the UAE to remain vigilant. Mohammed speculated that Iran would retaliate if subjected to such treatment. Mohammed questioned U/S Levey on Russian support for Iran and its nuclear program.

¶10. (S/NF) Mohammed stated that Iranian people and merchants were feeling the effects of <>, with many leaving Iran as a result. He pledged UAE support for international measures to pressure Iran, and noted the importance of UNSCRs to give the UAE the proper cover it needs to take bold action. Even without UN resolutions, however, the UAE would continue to move gradually, as is consistent with its national interest.

Dubai: u.s. & uae share same goals on iran  
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¶11. (S/NF) Minister for Cabinet Affairs Mohammed al Gergawi and Minister of State Reem al Hashemi underlined that the USG and UAE share the same goals in checking Iran's nuclear ambitions and regional troublemaking. Regarding tactics, he endorsed the new administration's efforts at dialogue as 'closer to the Dubai position,' and sought clarity on the role of <> during this period. He described Iran as a greater threat to the UAE than to the U.S., and stressed the need to deal with it carefully, as Dubai has been doing. He said the price of Iran going nuclear is 'too great for the uae.'

¶12. (S/NF) Gergawi advised that the UAE has come under tremendous pressure from the Iranian Government, press and people because 'they know where the UAE stands.' He pointed out that UAE banks - including Emirates NBD - were reducing business with Iran, and Iranian business in the UAE is down 30% from last year (nfi). He stated that UAE authorities had spoken to IRISL's UAE shipping agent and were in the process of 'dismantling the relationship' (nfi). He confirmed that UAE was screening Iranians applying for employment, residential and tourist visas, with the intention of reducing absolute numbers of Iranians in the UAE. Gergawi added that the UAE is pursuing such steps for UAE interests, not U.S. pressure, adding 'we are aligned.'

¶13. (S/NF) Gergawi described these steps to address the Iranian presence in the UAE - individuals, companies, and banking - as 'good for UAE security.' He pointed to Iranian policies on Hizballah, Hamas and Syria as against UAE interests and asked for additional UNSCRs to help the UAE carry out its objectives.

¶14. (S/NF) Dubai World Chairman Sultan bin Sulayem echoed Gergawi's affirmation of UAE policy towards Iran and hopefulness that U.S.-Iran dialogue would show success. He stated that <> are hurting Iran, and welcomed dialogue in place of <> that 'so far had not produced any positive developments.' Sultan ticked off UAE measures to pressure Iran, including closing companies and screening travelers, that are designed to protect the UAE. He mentioned drug smugglers entering the UAE from Iran and indicated that UAE authorities were using drug trafficking as an excuse to target Iranians. He pointed to strained relations between the neighbors, as evidenced by the Iranian media targeting the UAE and the Iranian Ambassador complaining to UAE officials.

¶15. (S/NF) Explaining the UAE's discomfort with Iran's regional activity, Sultan described Iranian efforts to extend its presence in African nations such as Djibouti and Senegal. He said that Iran is building factories in these countries and offering scholarships for students to come study in Iran. Sultan said he has warned Djibouti officials about Iran's intentions and the dangers it poses.

## Central bank endorses cash courier scrutiny

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¶16. (S/NF) Under Secretary Levey provided the Central Bank Governor and Chairman with an additional list of suggestions on how the UAE could further protect its financial system from abuse by the Iranian regime. The Governor thanked Levey for the list and promised to carefully consider the recommendations and respond. Citing U.S. overtures to the Iranian people and regime, the Governor repeated deep-rooted Emirati fears that the U.S. was about to make a deal with Iran that leaves the UAE exposed for its measures taken against its powerful neighbor. (NOTE: In a separate meeting, Levey provided the same list to Central Bank Vice Chairman Dr. Omar bin Suleiman. END NOTE.) Chairman Foulathi, new to the U.S.-UAE dialogue on Iran financial measures, expressed concern about the UAE's security vulnerability with respect to Iran and asked about financial measures taken by other countries as a point of reference.

¶17. (S) Governor Suweidi referenced his May 24 meeting with Deputy National Security Advisor John Brennan and confirmed that the UAE will be stepping up enforcement with respect to cash couriers. He stated that the UAE was in the process of adding cash declaration requirements for travelers departing the UAE (to match existing declaration requirements for incoming travelers), and intensifying scrutiny of incoming passengers. He stated that the Central Bank would share with the USG any new regulations for comment prior to enactment. With respect to Afghanistan and Pakistan, the Governor stated that UAE customs authorities would target flights for additional scrutiny and inspections of travelers. He added that the UAE National Anti-Money Laundering Committee would meet soon to agree on a path forward.

¶18. (C) Governor Suweidi thanked the Treasury Department for its offer to assist the Central Bank with its modernization effort and stated that the Central Bank would seek Treasury involvement in the coming months.

¶19. (S/NF) Governor Suweidi inquired about the OFAC investigation involving the National Bank of Abu Dhabi (NBAD) and possible Sudan <> violations. He stated that NBAD and the Central Bank were taking the matter very seriously and pledged full cooperation to resolve the issue. He mentioned that initial remedial measures had already been taken, to include removing the bank employee responsible for stripping information off transfer records.

## Collapse of iran/etisalat deal explained

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¶20. (S/NF) DIFC Governor and Etisalat board member Dr. Omar explained UAE national telecom company Etisalat's recent decision to pull out of a joint venture to purchase Iran's 3rd mobile telecom license. According to Dr. Omar, after the UAE agreed to purchase the license alongside an Iranian firm, Iran changed the terms of the deal with respect to financing obligations, control and management responsibilities. Etisalat was not satisfied with the new commercial terms and came to view the venture as unprofitable and the Iranians as unreliable. As a result, Etisalat elected to forfeit the substantial down payment already made and pull out of the venture.

## Abu dhabi commercial bank winds down iran business

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¶21. (S/NF) Consistent with prior meetings, newly appointed ADCB Chairman Issa al Suweidi and CEO Ala'a Eraiqat reaffirmed their bank's efforts to reduce its financial relationship with Iran in line with Abu Dhabi's political views on the issue (ref). They said exposure has been reduced from \$930 million of funded and unfunded obligations to zero unfunded, and limits frozen at \$164 million that is winding off. They stated ADCB relationships with Iran Petrochemical, Bank Mellat and National Iranian Tanker Company are on an exit or liquidation basis. They said that ADCB maintained

correspondent relationships with some Iranian banks, but that these accounts had no limits and were under high scrutiny. They said that ADCB has some business with Bank Melli that was now down to a minimum, and offered to return with exact figures. The CEO stated that while bank policy required all Iranian accounts to come under additional scrutiny, in practice it could be difficult to clearly identify all Iranian business due to the longstanding commercial ties between the UAE and Iran.

¶22. (S/NF) ADCB CEO Eraiqat explained at length the bank's efforts to step up compliance practices, including bi-weekly compliance meetings with the CEO and a new \$1.7 million compliance software system due to come online later this year. They explained that ADCB was looking to float a rule 144a bond offering in the U.S. in 3Q2009 and welcomed the high level of disclosure and transparency that accompanies the process.

Emirates nbd resistant, fumbles under pressure  
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¶23. (S/NF) During an hour private lunch in a Dubai restaurant, Emirates NBD Chairman Ahmed al Tayer erratically dismissed Under Secretary Levey's concerns about doing business for Iran with a mix of hostility, remorse and assurances of submission. Initially, the Chairman stated that his bank had substantially reduced its Iranian exposure, citing scaled down existing limits, no new limits, an end to financing oil shipments with letters of credit (l/c), a 25% reduction in trade finance, and Iran related l/cs down 95% across the board at the bank. He said all previous commitments are running down and whatever is left is negligible compared to two years ago and that Emirates NBD handled 'no l/cs for Iranian banks.' He said the bank handled just normal accounts for Iranian banks that have been with Emirates NBD for years, but did not provide financing for these banks. The Chairman pointed to U.S. efforts at dialogue with Iran and complained that the Dubai business sector has suffered irreparable damage as Iran will not forget UAE measures to cut financial ties even after international tensions subside.

¶24. (S/NF) Further into the conversation, the Chairman became defensive about the bank's business with Iran and then questioned why Iran or Iranians would need financial services in the UAE. The Chairman stated that he did not believe that the UAE served as a transshipment hub for Iran, and then dismissed the subject as not relevant to the banking sector. When asked about Iranian shipping company IRISL, he said he did not know the company and then stated that the bank issues no letters of credit for the entity. He several times raised the U.S. company Cargill and its substantial business with Iran financed by Emirates NBD, suggesting that servicing Cargill was the bank's primary exposure to Iran.

Mbr charity aims to help palestinian, not hamas  
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¶25. (C) Vice Chairman Ibrahim Bumelha of the Mohammed bin Rashid Foundation for Humanitarian and Charitable Works (MBRHC) described the NGOs efforts to provide humanitarian aid in Gaza, without supporting Hamas. He said his organization aims to help the Palestinian people, without siding with any political party or faction. Ibrahim described a clean water restoration project that MBRHC is supporting in Gaza. He said that MBRHC received proposals from two Gaza government institutions, one controlled by Hamas and one controlled by the Palestinian Authority. With the proposals in hand, MBRHC quietly solicited local contractors to perform the work. MBRHC settled on a Christian contractor based in Gaza, after first screening the names with Dubai security services to ensure no Hamas connections. Ibrahim explained that MBRHC intentionally did not publicly announce the tender offer, because he was concerned that a Hamas organization might submit the lowest bid and thereby win the tender.

¶26. (C) Ibrahim described MBRHC's past association with the



Union of Good, a Hamas-affiliated charity coalition headed by Muslim Brotherhood leader and Hamas supporter Yousef al Qaradawi. He said that around 2000-2001, MBRHC joined with a group of UAE charities to deliver aid to Palestinians in the wake of the second intifada. At the time, the Union of Good was not blacklisted in the U.S. or elsewhere, and UAE efforts were coordinated with this coalition. The association lasted only a handful of months, after which time MBRHC broke off relations with the Union of Good. Ibrahim stated that MBRHC would not work with Union of Good or any other Qaradawi-affiliated groups in the future.

¶27. (C) Ibrahim lamented the Israeli blacklisting of MBRHC, as the action made it illegal for Israel-based entities to partner with MBRHC, a common practice for the organization. He complained that the reputation of MBRHC, Dubai, and its Ruler Sheikh Mohammed bin Rashid had been damaged by the Israeli action. He believes the Government of Israel should remove MBRHC from its blacklist as the organization has long since broke its affiliation with the Union of Good - the stated basis for the action - and actively seeks to avoid working with Hamas in Gaza.

Olson